Supreme Court, U.S.
FILED

93 2060 JUN 20 1994

OFFICE OF THE CLERK

No.

In the
THE SUPREME COURT
OF THE UNITED STATES
October 1993 Term

TERRY PHILIPS,

Petitioner,

v.

JOHN W. VON HOLDT

and

PLAS TOOL CO.,

Respondents.

Petition for Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

Stephen A. Hill
Counsel for Petitioner
Rankin, Hudak & Hill
625 Huntington Building
Cleveland, Ohio 44115
(216) 566-9700

OFFICE OF THE CLERK

93 2060 JUN 20 1994

Supreme Court, U.S.
FILED

QUESTIONS PRESENTED FOR REVIEW

1. Should the Court of Appeals consider the doctrine of plain error when unchallenged jury instructions are so contrary to law as to be manifestly unjust?

2. Is there a conflict in the decisions of the circuits regarding the consideration and application of the plain error doctrine?

PARTIES TO
THE APPELLANT COURT PROCEEDING

The following is a listing of all parties to the proceeding in the Court of Appeals for the Federal Circuit, which is the court whose judgment is sought to be reviewed by this petition:

John W. von Holdt
Plas-Tool Co.
Terry Philips
Philips Industries Limited Partnership, d.b.a. Philips Container Company.

TABLE OF CONTENTS

Questions Presented for Review i

Parties to the Appellant Court Proceeding ii

Table of Contents iii

Table of Authorities iv

Statement of Grounds on Which Jurisdiction of this Court Is Invoked 1

Constitutional Provisions, Treaties, Statutes, Ordinances and Regulations Involved in the Case 2

Statement of the Case 3

Argument 10

Appendix 12

Decision on Summary Judgment 12

Decision on Reconsideration 22

Judgment of the Court of Appeals 28

TABLE OF AUTHORITIES

Cases

American Hoist & Derrick Co. v. Sowa & Sons, Inc.,
725 F.2d 1350 (Fed. Cir. 1984) 11

Biodex Corp. v. Loredan Biomedical, Inc.,
946 F.2d 850 (Fed. Cir. 1991) 10

City of Newport v. Fact Concerts, Inc.,
453 U.S. 247, 101 S. Ct. 2748, 69 L. Ed. 2d
616 (1981) 10

Cohen v. Franchard Corp.,
478 F.2d 115 (2d Cir. 1973),
cert. denied, 414 U.S. 857, 94 S.Ct. 161,
38 L. Ed.2d 106 (1973) 10

Colburn v. Bunge Towing, Inc.,
883 F.2d 373 (5th Cir. 1989) 10

Hansen v. Alpine Valley Ski Area, Inc.,
718 F.2d 1075 (Fed. Cir. 1983) 5

Malta v. Schulmerich Carillons, Inc.,
952 F.2d 1320 (Fed. Cir. 1991) 10

O'Brien v. Willys Motors, Inc.,
385 F.2d 163 (6th Cir. 1967) 10

Stickle v. Heublein, Inc.,
716 F2d 1550 (Fed. Cir. 1983) 4

Statutes

28 U.S.C. § 1254(1) 1
28 U.S.C. § 284 2

Rules

Rule 50, Federal Rules of Civil Procedure 8
Rule 59, Federal Rules of Civil Procedure 8

STATEMENT OF GROUNDS ON WHICH JURISDICTION OF THIS COURT IS INVOKED

The date of entry of the judgment or decree sought to be reviewed is March 23, 1994.

The was no request for rehearing or for an order requesting an extension of time within which to file the petition for a writ of certiorari.

The statutory provision believed to confer on this Court jurisdiction to review the judgment in question by writ of certiorari is 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS, TREATIES, STATUTES, ORDINANCES AND REGULATIONS INVOLVED IN THE CASE

28 U.S.C. § 284, provides:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

STATEMENT OF THE CASE

This petition involves a patent infringement action in which Philips Industries Limited Partnership, d.b.a. Philips Container Company, and Terry Philips were found to have infringed U.S. Patent No. 4,648,834 ("the '834 patent"), which issued to John W. von Holdt. Defendant Philips Industries Limited Partnership ("Philips Container") is a limited partnership doing business as Philips Container Company. Petitioner Terry Philips, who was also a defendant below, owns a company which is one of the several limited partners and has an approximate 20% interest in this partnership. Petitioner Terry Philips formerly was employed as president of Philips Container, but his employment by Philips Container ceased in June 1991. Philips Container is in the business of manufacturing plastic buckets and lids by plastic injection molding.

Respondent John W. von Holdt is the inventor and owner of the '834 patent and was a plaintiff below. His company Respondent Plas-Tool Company, also a plaintiff below, specializes in making molds for the manufacture of plastic buckets and lids. Respondent von Holdt owns in excess of 50% of Respondent Plas-Tool. The '834 patent is licensed by Respondent von Holdt to Respondent Plas-Tool. Plas-Tool is not a manufacturer of plastic buckets.

The complaint alleged infringement of the '834 patent through the manufacture of molds by Wentworth Mould & Die Co., Ltd. and through the use of 14 molds purchased from Wentworth and others by Philips Container. The complaint further alleged that Petitioner Terry Philips had both infringed and induced the infringement. Plas-Tool sought monetary damages, including enhanced damages for willful infringement and prejudgment interest.

In November 1991, defendants (including Petitioner) moved the district court for partial summary judgment on the issue of measure of damages. On June 25, 1992, shortly before trial, the district court granted this motion, holding:

> [A] determination of a use royalty in the absence of any evidence of past practices or industry custom in this area that support such a royalty would be based primarily upon speculation and conjecture.
>
> . . .
>
> The court finds that a use royalty based on the number of items produced by the alleged patent-infringing molds is not an appropriate measure of damages under the undisputed facts of this case, and therefore grants summary judgment on this aspect of plaintiffs' claim for damages in favor of defendants Philips.

In the order, the district court also held:

> Ultimately, however, resort to a reasonable royalty analysis is inappropriate in the present case, as plaintiffs acknowledge that they can present evidence of actual lost profits. As established earlier, there is no need to engage in such analysis where actual damages can be determined.
>
> . . . As actual damages appear to be readily determinable in the present case, such constitute the appropriate measure of damages.

In granting defendants' motion for partial summary judgment, district court's order relied primarily upon *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1561 (Fed. Cir. 1983). The order is reproduced in the Appendix on pages 12-21.

Respondents-Plaintiffs moved for reconsideration and clarification of the partial summary judgment. The district court denied the motion, stating:

> In reviewing plaintiffs' request, the court believes it advisable to abide by its prior ruling: that a reasonable royalty analysis is unnecessary and inappropriate in the present case, since actual damages in the form of lost profits are ascertainable. Plaintiffs present no facts or argument to challenge this ruling; therefore, the motion for reconsideration is denied.
>
> In their motion for clarification, plaintiffs state that they "would like to pursue damages as a running time-based reasonable royalty based upon costs savings to the user of the invention", and ask whether the court's prior order precludes them from so doing. It must be repeated that a reasonable royalty analysis is inappropriate in the present case. . . . [T]he court finds that plaintiffs may not pursue cost savings as a measure of damages in the present case.

The district court relied upon *Hansen v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1080, (Fed. Cir. 1983) in denying the motion for reconsideration and clarification. The order is reproduced in the Appendix on pages 22-23.

Trial was then had to an eight-member jury in July 1992. At trial plaintiffs presented evidence to support various theories of damages, including evidence of cost savings to the user of the invention, This evidence was not objected to.

Von Holdt had earlier sold molds to Philips Container which at trial von Holdt and Plas-Tool sought to prove were covered by the patent and copied by Philips and Wentworth as part of the infringement. These molds had been sold outright by von Holdt to Philips Container at a cost of

approximately $50,000 each. Thus 14 molds could be purchased at a cost on the order of $700,000.

Von Holdt's lost profits could have been easily determined, because von Holdt has had previous dealings with Philips involving molds quite similar to those alleged to have infringed the patent. Testimony was presented by plaintiffs that plaintiff's profits for the sale of 14 molds would have been about $430,000, or 61% based upon a purchase price of $700,000.

Following trial, the district court instructed the jury as follows:

> You must consider all of this evidence in your determination [of applicable reasonable royalty] including the following: First, any royalty action to be received by the plaintiffs for previous licensing of the patent. Two, any royalties paid by Philips Container Company or any third parties for the user of other patents comparable to the von Holdt patent, and the nature of any such licenses as exclusive or non-exclusive . . .
>
> . . .
>
> If you find that a reasonable royalty is the appropriate measure of damages in this case, then you are bound to follow a ruling which the court made in this case before the trial began. In particular, if you find that a reasonable royalty is the appropriate measure of damages in this case, the court has ruled the appropriate measure of that reasonable royalty must be based upon a single lump-sum payment.

The jury was not provided with a copy of the "ruling which the court made in this case before the trial began," nor were they provided with a further explanation of the substance of that ruling. Excerpts containing all of the jury instructions

relating to reasonable royalties are contained in the Appendix on pages 24-28.

The district court had already determined in the order granting summary judgment that the only evidence plaintiffs had of prior licensing arrangements was "past negotiated use royalties in other, entirely unrelated transactions" and that a use royalty in this case, based on those past practices, would be primarily speculation and conjecture. Failing to instruct the jury that von Holdt's past license evidence should not be considered, while at the same time instructing that these previous licenses *must* be considered, was plain error because it was contrary to the law of the case, and it substantially prejudiced the defendants.

Defendants (including Petitioner), who had been granted their motion for partial summary judgment, did not object to these jury instructions.

The jury found for the plaintiffs, answering "interrogatories" labeled as a "special verdict." The answers to the interrogatories included findings that the '834 patent was infringed, both literally and by equivalents, that the patent was valid and enforceable, that "Mr. Philips and/or Philips Container" infringed willfully, that Mr. Philips should be personally liable for infringement, and that damages should be awarded in the amount of $7,140,000.

The parties appear to be in agreement that the jury used a use-based royalty scheme in order to arrive at the amount of damages. The damage award can be calculated based upon 17 years × 14 molds × $0.04/bucket × 750,000 buckets/year/mold = $7,140,000, which is the exact amount of damages awarded by the jury. The term of a patent is 17 years. There were 14 molds accused of infringing the patent in suit. Plaintiffs presented evidence in support of 4¢ per bucket as a possible use royalty (despite the partial summary judgment order against such a royalty). Plaintiffs further

presented evidence leading, by another straightforward calculation, to the conclusion that these molds were capable of producing 750,000 buckets per year. This evidence was not objected to.

The Philips defendants moved under Rule 50 of the Federal Rules of Civil Procedure at the close of the plaintiff's case in chief, at the close of all the evidence, and following return of the jury's verdict, for judgment as a matter of law that the accused molds did not infringe the '834 patent. In the post-verdict renewal, the defendants moved in the alternative under Rule 59 of the Federal Rules of Civil Procedure for a new trial on the issues of infringement, willfulness, personal liability of Mr. Philips, and damages. The basis for the motion for a new trial was that the jury's verdicts on these issues were against the clear weight of the evidence presented at trial, and that a new trial on each of these issues was required to prevent a miscarriage of justice. A further basis is that the jury disregarded the district court's instructions on these issues, since the jury verdicts are in each case either contrary to the district court's instructions and statements of law or obviously based on an erroneous construction of the claims of the '834 patent.

The district court denied both motions in an order entered on November 2, 1992. The district court ruled that plaintiffs were entitled to enhanced damages, but withheld determination of the amount, pending appeal. No injunction was requested or issued by the district court. Defendants filed a notice of appeal to the Court of Appeals for the Federal Circuit on November 25, 1992.

In the Court of Appeals for the Federal Circuit Petitioner argued *inter alia* that the jury's verdict was inconsistent with the order granting partial summary judgment, that this rises to the level of plain error, and the fact that Philips failed to object to these instructions is immaterial, since the damages

awarded by the jury in this case amount to a miscarriage of justice and should be reversed. At oral argument, the panel of the Court of Appeals indicated that the jury verdict followed the instructions given to the jury and noted that Petitioner had not objected to the jury instructions. The judgment of the district court was affirmed, and the appellate court entered judgment without opinion. The judgment is reproduced on pages 28-29 of the Appendix.

ARGUMENT

The jury instructions were clearly improper and inconsistent with the district court's order on partial summary judgment. The instructions were not, however objected to by Petitioner or by the other defendant at trial.

The courts of appeals have developed a "plain error" doctrine to deal with certain unchallenged jury instructions so contrary to law as to be manifestly unjust. The plain error doctrine is applied to the exceptional case where the error has seriously affected the fairness, integrity, or public reputation of judicial proceedings. *City of Newport v. Fact Concerts, Inc.*, 453 U.S. 247, 101 S. Ct. 2748, 69 L. Ed. 2d 616 (1981) (BRENNAN, J., dissenting).

Thus, even absent an objection to an improper jury instruction, a court of appeals should be able to reverse for plain error. The "plain error" doctrine is found in case law of at least most of the circuits. *E.g., Colburn v. Bunge Towing, Inc.*, 883 F.2d 373, 377 (5th Cir. 1989); *Cohen v. Franchard Corp.*, 478 F.2d 115, 124 (2d Cir. 1973), *cert. denied*, 414 U.S. 857, 94 S.Ct. 161, 38 L. Ed.2d 106 (1973); *O'Brien v. Willys Motors, Inc.*, 385 F.2d 163, 166 (6th Cir. 1967) (failure to instruct on law regarding burden of proof, an essential part of the case, constituted reviewable error, notwithstanding failure to object.). Petitioner, however, has not found any case by the Court of Appeals for the Federal Circuit in which the court has applied the plain error doctrine, and it must be assumed that the Federal Circuit refuses to follow this doctrine. *See Malta v. Schulmerich Carillons, Inc.*, 952 F.2d 1320, 1342 (Fed. Cir. 1991), in which the "plain error doctrine is at least acknowledged in a dissenting opinion. In *Biodex Corp. v. Loredan Biomedical, Inc.*,946 F.2d 850, 854 (Fed. Cir. 1991), the Federal Circuit admitted that "the law is uniform

in all circuits that review is limited to plain error," but did not apply the doctrine. *See also American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1364 (Fed. Cir. 1984).

In accordance with the doctrine of plain error, the court of appeals has the power to vacate the damage award and remand the case for a new trial on damages, if the failure to give proper jury instructions could have had a considerable effect on the amount of the jury verdict. In this case, the district court had correctly ruled before trial began that a use-based royalty was too speculative and inappropriate. The district court had further entered summary judgment that damages based upon a reasonable royalty were improper and that only damages based upon lost profits could be recovered. Having determined this as a matter of the law of the case, the district court's instruction to the jury concerning the reasonable royalty which would be applicable to this case was plain error.

The decision of the Court of Appeals for the Federal Circuit in this case to refuse to consider the doctrine of plain error, coupled with the Federal Circuit's history of failure to apply the doctrine of plain error is in conflict with the decisions of other courts of appeal which apply the doctrine of plain error. This Court should grant review on writ of certiorari on this basis under Rule 10.1(a) of the Rules of the Court.

Furthermore, the consistent failure of the Court of Appeals for the Federal Circuit to consider reversal for plain error departs from the accepted and usual course of judicial proceedings and calls for an exercise of this Court's power of supervision, and provides grounds for review on certiorari under Rule 10.1(a).

APPENDIX

THE DECISION ON SUMMARY JUDGMENT
Filed June 25, 1992

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

JOHN V. VON HOLDT, et al.)	CASE NO. 89-CV-1209
)	
Plaintiff)	Judge Sam H. Bell
)	
- vs -)	
)	*ORDER*
WENTWORTH MOULD &)	
DIE CO., LTD. ,et al.)	
)	
Defendant)	

Presently before the court in the above captioned patent infringement action is a motion by defendants Terry Philips and Philips Industries Limited Partnership dba Philips Container Company (Philips, collectively), for partial summary judgement on one of plaintiffs' alternative claims for damages. Plaintiffs filed a response in opposition, asking that summary judgment be granted instead in their favor on the issue of whether, under the undisputed facts of this case, an assessment of damages may be made on the basis of a "use royalty" on each plastic pail made by defendants through use of the alleged patent-infringing molds.

In a prior determination, the court denied defendants' motion for summary judgment on the issue of liability for

patent infringement. While a genuine, triable issue of fact remains as to defendants' liability, the parties nevertheless seek to narrow and clarify the issue of the appropriate measure of damages prior to trial.

STANDARD OF REVIEW

In reviewing a motion for summary judgment, a court must consider the pleadings, related documents, evidence, and all reasonable inferences in a manner most favorable to the non-moving party. *Adickes v. S.H. Kress & Co.*, 398 U.S. 114, 90 S.Ct. 1598, 26 L.Ed.2d 152 (1970); *Smith v. Hudson*, 600 F.2d 60 (6th Cir. 1979). Rule 56 provides, in relevant part, as follows:

> (c) . . .
> The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving -party is entitled to judgment as a matter of law.
> . . .
> (e) . . .
> When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial.

Three Supreme Court cases have provided guidance as to the nature of the respective burdens allocated under Rule 56. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); *Anderson v. Liberty Lobby, Inc.*, 477

U.S. 242, 106 S.Ct. 2502, 91 L.Ed.2d 202 (1986); *Matsushita Electric Industrial Co., Ltd., v. Zenith Radio Corp.*, 475 U.S. 574, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986). The ultimate burden lies with the non-moving party to show the existence of a genuine issue of material fact. "When the moving party has carried its burden under Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as the material facts . . . In the language of the Rule, the non-moving party must come forward with 'specific facts showing that there is a *genuine issue for trial.*' Fed. Rule Civ. Proc. 56(e)." *Matsushita*, 475 U.S. at 586-587 (emphasis supplied). "In our view, the plain language of Rule 56(c) mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex*, 477 U.S. at 322. The court in *Anderson* held that "the plaintiff must present affirmative evidence in order to defeat a properly supported motion for summary judgment. This is true even where the evidence is likely to be within the possession of the defendant, as long as the plaintiff had had a full opportunity to conduct discovery." *Anderson*, 477 U.S. at 257.

On the other hand, the moving party's burden under Rule 56 is lighter.

> Of course, a party seeking summary judgment always bears the initial responsibility of informing the district court of the basis for its motion and identifying those portions of the "pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any," which it believes demonstrate the absence of a genuine issue of material fact. But unlike the Court of Appeals, we find no express or

> implied requirement in Rule 56 that the moving party support its motion with affidavits or other similar materials *negating* the opponent's claim. On the contrary, Rule 56(c) . . . suggests the absence of such a requirement.

Celotex, supra, at 323 (emphasis supplied).

The Sixth Circuit Court of Appeals, in *Street v. J.C. Bradford and Co.*, 886 F.2d 1472 (6th Cir. 1989) recently reviewed court decisions and commentary regarding the impact of *Anderson*, *Celotex*, and *Matsushita* on summary judgment practice. The court concluded that a "new era" in summary judgment practice has opened in the court system as a result of these opinions.

> Scholars and courts are in agreement that a "new era" in summary judgments dawned by virtue of the Court's opinions in these cases . . . On the whole, these decisions reflect a salutary return to the original purpose of summary judgments. Over the years, decisions requiring denial of summary judgment if there was even a suggestion of an issue of fact and tended to emasculate summary judgment as an effective procedural device.

Street, supra, at 1476.

The court enunciated the following "new era" principles, among others: as on federal directed verdict motions, the "scintilla" rule applies, *i.e.*, the respondent must adduce more than a scintilla of evidence to overcome the motion; the respondent cannot rely on the hope that the trier of fact will disbelieve the movant's denial of the disputed fact, but must "present affirmative evidence in order to defeat a properly supported motion for summary judgment"; the trial court no longer has the duty to search the entire record to establish

that it is bereft of a genuine issue of material fact. *Id.* at 1479-1480 (footnotes and citations omitted).

DAMAGES

The award of damages in a patent infringement action is governed by 35 U.S.C. 284:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

There are two methods by which damages may be calculated under this statute:

> . . . If the record permits the determination of actual damages, namely, the profits the patentee lost from the infringement, that determination accurately measures the patentee's loss. If actual damages cannot be ascertained, then a reasonable royalty must be determined. *Panduit Corp. v. Stahlin Bros. Fibre Works*, 575 F.2d 1152, 1157, 197 USPQ 726, 736 (6th Cir. 1978).
>
> The reasonable royalty may be based upon an established royalty, if there is one, or if not upon a hypothetical royalty resulting from arm's length negotiations between a willing licensor and a willing licensee. . . .

Hansen v. Alpine Valley Ski Area, Inc., 718 F.2d 1075 (Fed. Cir. 1983). Resort to the legal fiction of a hypothetical negotiation between a willing licensor and a willing licensee to arrive at a hypothetical reasonable royalty is to be had only where actual damages in the form of lost profits are not

provable or susceptible of determination. See *Id.*; *Trell v. Marlee Electronics Corp.*, 912 F.2d 1443 (Fed. Cir. 1990); *Stickle v. Heublein Inc.*, 716 F.2d 1550 (Fed. Cir. 1983); *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978); *Foster v. American Machine & Foundry Co.*, 492 F.2d 1317 (2d Cir. 1974), cert. denied 419 U.S. 833 (1974).

FACTS

For purposes of the present motion, the court will assume that the issue of defendants' liability for patent infringement has been decided in plaintiffs' favor. In this light, the facts relevant to the present motion are as follow.

Plaintiff John von Holdt is the holder of United States Patent No. 4,648,834 for a plastic injection mold with two stripper rings for the production of plastic pails. The pails produced by these molds are not patented items. In about September 1986, Philips purchased two such molds from co-plaintiff Plas-Tool Co. While Plas-Tool had a nonexclusive license to manufacture and sell von Holdt's molds, it was not in the business of manufacturing pails from those molds.

Philips allowed co-defendant Wentworth Mould & Die Co., Ltd., to examine the von Holdt mold. Subsequently, instead of purchasing more molds from Plas-Tool as the need arose, Philips contracted with Wentworth and another manufacturer, Husky Injection Mold Systems, to manufacture and sell to them a total of fourteen von Holdt-type molds in violation of plaintiffs' patent rights.

The two molds originally purchased from plaintiffs were obtained outright by Philips, i.e., with no provision for a use royalty to be paid based on the number of pails produced through use of the molds. While most of plaintiffs' contracts for *lease* of the molds involved such use royalties, plaintiffs

acknowledge that their usual practice with purchasers of the molds was to not acquire a use royalty.

ANALYSIS

Plaintiffs content that, because the infringement in this case involved the unauthorized manufacture of patented molds, and since plaintiffs have never before granted a license to another manufacturer to produce its patented molds, an assessment of damages must involve a determination of a reasonable royalty based upon a hypothetical negotiation between a willing licensor and a willing licensee for a license to manufacture and sell its patented molds. Such a negotiation, they content, would entail the determination of a use royalty based on the output of the subsequent user of the molds. Defendants content that a use royalty is unreasonable and unjustifiable under the present facts, even if it were necessary to undertake a determination of a hypothetical reasonable royalty, and cite in support *Stickle v. Heublein, Inc.*, 716 F.2d 1550 (Fed. Cir. 1983).

The court finds that the present facts are closely parallel to those in *Stickle*, and that the disposition of the present motion is therefore appropriately guided by that case. In *Stickle*, the Federal Circuit reversed a district court's award of damages based on a use royalty where: 1) the defendant was the purchaser and user of an infringing taco-frying machine; 2) the patent holder was in the business of manufacturing and selling patented fryers, not the unpatented tacos produced by the fryers; 3) infringement was through the manufacture and sale of modified fryers which incorporated the plaintiff's patented fryer; and, of particular significance to the court, 4) no prior dealings of the parties nor any industry custom supported a determination of a use royalty on the number of tacos produced by the infringing machines as a reasonable payment for use of the fryers.

In the present case, plaintiffs acknowledge that they have never in the past granted a license to another party to manufacture and sell their patented molds. Furthermore, there is no evidence offered of any custom in the industry regarding such transactions. Thus, plaintiffs are effectively reduced to a bald assertion that it would not be unreasonable for the trier of fact to determine that use royalties would be agreed upon in such a hypothetical negotiation, based upon the fact that plaintiffs have in the past negotiated use royalties in other, entirely unrelated transactions, and upon their claim that they would have required such consideration in this context.

The court finds otherwise, as a determination of a use royalty in the absence of any evidence of past practices or industry custom in this area that support such a royalty would be based primarily upon speculation and conjecture. Furthermore, a use royalty assessed on the ultimate user's output has no apparent, reasonable bearing on a negotiation between a licensor and a potential manufacturer of the molds. Certainly, the manufacturer would not be in a position to agree to use royalties on behalf of he ultimate purchaser and user, nor would it be reasonable to presume that the manufacturer would agree to pay such royalties out of its own pocket. Even if the manufacturer and the user were the same party, it would unreasonably strain the concept of the "willing" licensee to find that such party would agree to pay for a license to manufacture the molds, pay for the costs of manufacture, and further agree to pay a use royalty for each item produced by the molds, when a simple purchase of the molds with no use royalty attached would be far less troublesome and more economical.

Therefore, should it become necessary to engage in a reasonable royalty determination, such analysis would be better confined to a determination of a lump-sum royalty.

is appropriate in the present case, as plaintiffs acknowledge that they can present evidence of actual lost profits. As established earlier, there is no need to engage in such analysis where actual damages can be determined. See *Id.*; *Trell*, *supra*; *Hansen*, *supra*; *Panduit*, *supra*; *Foster*, *supra*. While the court in *Stickle* remanded the case for a determination of a reasonable royalty in the form of a lump-sum payment, this was because the patent holder was not in the business of selling the modified type of infringing machine at issue in that case. Therefore, "damages simply based on sales made by a competitor which, but for the infringement, would have been made by the patent holder" were not susceptible of determination. *Stickle*, *supra* at 1561. In the present case, the alleged patent-infringing molds are apparently virtual duplicates of the molds that plaintiffs manufacture and sell.

There is no showing or contention here that actual damages in the form of lost profits from sales of patented molds are indeterminable. Plaintiffs merely assert that a use royalty is their "preferred" measure of damages. As actual damages appear to be readily determinable in the present case, such constitute the appropriate measure of damages.

CONCLUSION

The court finds that a use royalty based on the number of items produced by the alleged patent-infringing molds is not an appropriate measure of damages under the undisputed facts of this case, and therefore grants summary judgment on

this aspect of plaintiffs' claim for damages in favor of defendants Philips.

IT IS SO ORDERED.

/s/
SAM H. BELL
U.S. DISTRICT JUDGE

THE DECISION ON RECONSIDERATION
Filed July 7, 1992

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

JOHN V. VON HOLDT, et al.	)	CASE NO. 89-CV-1209
	)	
Plaintiff	)	Judge Sam H. Bell
	)	
- vs -	)	
	)	*ORDER*
WENTWORTH MOULD & DIE CO., LTD. ,et al.	)	
	)	
Defendant	)	

Plaintiffs have filed a motion for reconsideration and a motion for clarification of this court's order of June 25, 1992, which granted defendants partial summary judgment on one of plaintiffs' alternative claims for damages. Defendants have filed responses in opposition to these motions.

The motion for reconsideration raises anew plaintiffs' previous arguments regarding why a use royalty is an appropriate measure of damages under a reasonable royalty analysis. In reviewing plaintiffs' request, the court believes it advisable to abide by its prior ruling: that a reasonable royalty analysis is unnecessary and inappropriate in the present case, since actual damages in the form of lost profits are ascertainable. Plaintiffs present no facts or argument to challenge this ruling; therefore, the motion for reconsideration is denied.

In their motion for clarification, plaintiffs state that they "would like to pursue damages as a running time-based reasonable royalty based upon cost savings to the user of the invention", and ask whether this court's prior order precludes them from so doing. It must be repeated that a reasonable royalty analysis is inappropriate in the present case. No argument of law or fact is presented to justify "cost savings" as the measure of damages, even if a reasonable royalty analysis were otherwise appropriate. In *Hansen v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075 (Fed. Cir. 1983), the court approved cost savings as the measure of damages under a reasonable royalty analysis, but only where other measures of damages, such as lost income to the patent hold or profits to the infringer, were not determinable. Such is not the case here. For these reasons, the court finds that plaintiffs may not pursue cost savings as a measure of damages in the present case.

IT IS SO ORDERED.

/s/

SAM H. BELL
U.S. DISTRICT JUDGE

EXCERPTS FROM THE JURY INSTRUCTIONS

. . . Once you have determined the amount of lost profits, if any, resulting from the infringement, your inquiry is not yet at an end. You must next determine the reasonable royalty which would have been received by the plaintiffs for the use of the patent made by the defendants during the period of infringement.

If you conclude that the amount represented by the reasonable royalty is greater than the amount represented by actual lost profits, then you must award the higher amount of the reasonable royalty.

A reasonable royalty is statutorily mandated to be the minimum permissible measure of damages wherein infringement has occurred.

Similarly, if [you] cannot ascertain the amount of lost profits, then you must award the reasonable royalty.

In other words, you must award at least a reasonable royalty, if you find the defendants liable for infringement.

In determining a reasonable royalty you must determine a royalty which would have been reached in a hypothetical negotiation between a willing licensor, such as von Holdt, and a willing licensee, such as Philips Container Company, as of the date of the infringement first occurred.

This means that if you find infringement has occurred, you must determine what royalty per mold von Holdt and Philips Container Company would have agreed upon assuming they had been willing to enter into a licensing agreement at the time the infringement began.

A reasonable royalty is the amount of money a free and willing patent owner would accept when desirous of licensing another to use his patent in turn for a royalty, and the

amount which a free and willing individual desiring to obtain a license to use the invention of the patent.

In determining the amount of reasonable royalty, you must assume both parties to the negotiation understood the patent to be valid and infringed.

The parties to this cause have presented a great deal of evidence to you concerning the reasonable royalty which would be applicable in this case. You must consider all of this evidence in your determination including the following:

First, any royalty action to be received by the plaintiffs for previous licensing of the patent.

Two, any royalties paid by Philips Container Company or any third parties for the use of other patents comparable to the von Holdt patent, and the nature of any such licenses as exclusive or non-exclusive.

Third, the established policy of the marketing program of von Holdt to maintain patent exclusivity by not licensing others to use the invention.

Four, the commercial relationship between a licensor and licensee.

Five, the effect the patented device will have in promoting sales of other products of licensee. That is Philips Container Company. The value of the invention to the licensor as a generator of sales of its products.

Six, the duration of the patent.

Seven, the established profitability of the product made of the patent, its commercial success and its current popularity.

Eight, the utility and advantages of the patented device over old methods or other means to accomplish the results, if there are any.

Nine, the nature of the patented invention.

Ten, the character of the commercial embodiment and the benefits to those who have used the invention.

Eleven, the extent to which the infringer has made use of the invention and any evidence tending to show the value of that use.

Twelve, that portion of the profit and of the lesser selling price which may be customary in this particular field or in comparable fields to use for the use of the invention.

Thirteen, that portion of the realized profit that should be credited to the invention as distinguished from non-patented elements of the product.

Fourteen, the manufacturing process of the business risk or any significant feature of improvement added by the infringer.

And fifteen, any opinion testimony of qualified experts.

These factors may lead to a determination of that amount which the hypothetical patent owner and the hypothetical licensee would agree to at the time the infringement began, had they both reasonably and voluntarily attempted to reach an agreement with respect to the valid and infringed patent.

Put another way, these factors may indicate the amount that the reasonable licensee would have paid and the reasonable patent owner would have accepted at the time the infringement began as a royalty to manufacture, sale, or use of a bucket mold embodying the patented invention. It is this amount we must calculate in order to determine the reasonable royalty applicable in this case.

As I have instructed you, if you find that a reasonable royalty on the infringing molds would be greater than the amount of the lost profits, then you should award the reasonable royalty.

In determining the issue of damage you should bear in mind that the law does not permit the jury to award any greater sum than the monetary loss which the plaintiff has suffered as a result of the defendant's infringement.

You may, however, find the reasonable royalty exceeds the amount of the defendants' actual profits from use of the patented devices.

In other words, you may find the amount of injury which has occurred to the defendants is greater than the amount of profit that defendants have made while causing the injury.

If under the court's instructions you should find the plaintiff is entitled to a verdict, then in fixing the amounts of your verdict you may not include or add to an otherwise just award, any sum for the purpose of punishing the defendants or to set an example.

If you find that a reasonable royalty is the appropriate measure of damages in this case, then you are bound to follow a ruling which the court has made in this case before the trial began. In particular, if you find that reasonable royalty is the appropriate measure of damages in this case, the court has ruled the appropriate measure of that reasonable royalty must be based upon a single lump-sum payment.

The fact that I have instructed you as to proper measure of damages should not be construed as intimating any view of the court as to which party is entitled to prevail in this case.

Instructions as to the measure of damages are given for your guidance in the event you find from the evidence in favor of plaintiffs. I have already instructed you that it is possible to find patent infringement in this case even though the infringement was not undertaken willfully or knowingly. However, I must now instruct you on what willful infringement for purposes of guiding future decisions that I may make in the case if warranted by the evidence. . . .

JUDGMENT OF THE COURT OF APPEALS
Filed March 23, 1994

Note: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

United States Court of Appeals for the Federal Circuit
93-1103, -1113

JOHN W. VON HOLDT
and PLAS-TOOL CO.,
Plaintiffs/Cross-Appellants,
v.
WENTWORTH MOULD & DIE CO., LTD.,
Defendant
and
TERRY PHILIPS,
Defendant-Appellant,
and
PHILIPS INDUSTRIES LIMITED PARTNERSHIP
dba PHILIPS CONTAINER COMPANY
Defendant.

Judgment

ON APPEAL from the United States District Court of the Northern District of Ohio

in CASE NO(S). 89-CV-1209

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

AFFIRMED. *See* Fed. Cir. R. 36

Per curiam (NEWMAN and PLAGER, *Circuit Judges*, and COHN, *District Judge*)*.

ENTERED BY ORDER OF THE COURT

DATED MAR 23 1994

/s/
Francis X. Gindhart, Clerk

---

* The Honorable Avern Cohn, United States District Court for the Eastern District of Michigan, sitting by designation.